

Message Text

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PAGE 01 CARACA 09098 021732Z

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ACTION SS-25

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C O N F I D E N T I A L CARACAS 9098

EXDIS

NOFORN

E.O. 11652 GDS

TAGS: ENRG, VE

SUBJECT: PETROLEUM REVERSION - CREOLE

REF CARACAS 8703

1. ROBERT DOLPH SUMMARIZED FOR ME ON AUG 29 THE STATUS OF THE CREOLE NEGOTIATIONS AS FOLLOWS:

(A) THE GOV NEGOTIATING TEAM (MINES MINISTER VALENTIN HERNANDEZ, PETROVEN PRESIDENT ALFONZO RAVARD AND PETROVEN VICE PRESIDENT JULIO CESAR ARREAZA) HAS NOW MADE A COUNTER-PROPOSAL ON COMPENSATION FOR TECHNICAL SERVICES. DOLPH SAID THE FIGURES WERE TOO LOW BUT NOT "RIDICULOUS." HE FOUND IT ENCOURAGING THAT THE RESPONSE WAS SUFFICIENTLY REASONABLE TO PERMIT REALISTIC NEGOTIATIONS.

(B) THE GOV TEAM HAS TENTATIVELY OFFERED A FORMULA FOR THE COMPENSATION BONDS: FIVE YEARS AT SIX PERCENT WITH 20 PERCENT OF THE BONDS TO BE REDEEMABLE IN OIL EACH YEAR. THUS, THE AVERAGE EFFECTIVE TERM COULD BE AS SHORT AS TWO AND ONE-HALF YEARS. THAT IS STILL UNSATISFACTORY TO CREOLE. THE VENEZUELAN PLEAD POLITICAL PROBLEMS AND PETROVEN'S PROSPECTIVE CASH FLOW SITUATION AS EXCUSES FOR NOT DOING BETTER.

(C) DURATION OF THE PURCHASE AND TECHNICAL SERVICES CONTRACTS IS AN ISSUE. AS PREVIOUSLY REPORTED, CREOLE WAS THINKING OF FIVE YEARS, WHICH, AMONG OTHER ADVANTAGES, WOULD BRING EXPIRATION DATES COMFORTABLY PAST THE NEXT ELECTORAL

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PERIOD. THE GOV HAS NOW OFFERED TWO YEARS WITH TWO-YEAR

RENEWAL CLAUSES. DOLPH SAID FOUR YEARS WOULD BE ACCEPTABLE, BUT NOT TWO. HIS EFFORT IS TO FIND WORDING THAT WILL ENSURE THE FULL FOUR YEARS BUT APPEAR TO GIVE THE GOV THE TWO AND TWO IT THINKS IT NEEDS POLITICALLY. (VALENTIN HERNANDEZ HAS TOLD THE PRESS THAT PETROLEUM SALES CONTRACTS WITH THE COMPANIES WOULD RUN TWO YEARS WITH TWO-YEAR EXTENSIONS.)

2. DOLPH ONCE AGAIN APPEARED OPTIMISTIC. HE THOUGHT THE TALKS WERE GOING REASONABLY WELL AND NOTED AN INCREASED SENSE OF URGENCY ON THE OTHER SIDE.
SHLAUDEMANN

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